# Highlights

## Overview

This issue of the *Natural Gas Monthly* contains estimates of natural gas data through January 2000 for many data series at the national level. Estimates of natural gas prices are available through October 1999 for most series. Highlights of the data estimates contained in this issue are:

- As cold weather moved into the Northeast and Midwest in mid-January, net withdrawals from storage for the month rose to a record 750 billion cubic feet.
- The increase in natural gas wellhead prices going into the fall of 1999 has pushed the cumulative average price through October 1999 higher than for the same period in 1998.
- Lower requirements for space heating in January 2000 compared with January 1999 have led to lower total end-use consumption of natural gas in January 2000.

## Supply

The bitterly cold weather that swept across the United States beginning in mid-January was a contributing factor for the largest monthly net withdrawal of storage ever, while net imports and dry production increased slightly above the levels in the last few months of 1999. Net imports rose as a result of pipeline expansions and high utilization rates of existing capacity at the Canadian border and also a diversity of sources for liquefied natural gas (LNG) imports. Dry natural gas production in January 2000 is estimated to be 1,631 billion cubic feet (Table 1), virtually the same as for January in the 3 previous years.

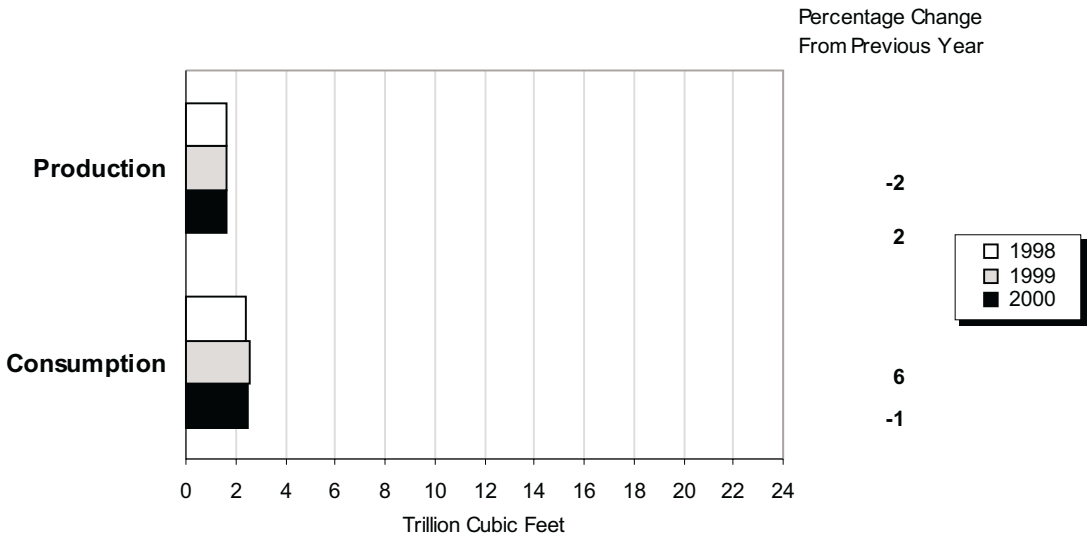
Net imports rose in January 2000, because of several factors such as increased LNG imports, pipeline expansions on the U.S.-Canadian border, and initial production from the Sable Island gas fields off Nova Scotia. The Northern Border Pipeline System added 700 million cubic feet per day of capacity to its existing pipeline, increasing import capacity on that system by nearly a third over capacity last year. This project affected the Northern Border system from the Canadian border in Montana through Iowa and into Illinois just south of Chicago. The Sable Offshore Energy Project (SOEP) in the northern Atlantic began producing 110 million cubic feet per day on January 4, 2000. It is expected to produce in excess of 500 million cubic feet per day by the end of 2000, contributing significantly to net imports from Canada.[1] The Northeast and Maritimes Pipeline System currently is transporting gas from SOEP to eastern Canadian and New England markets.

Net imports of natural gas for January 2000 are estimated to be 312 billion cubic feet (Table 2), a 6-percent increase from January 1999 and a 16-percent increase from January 1998. Cumulatively through November, total LNG imports for 1999 were 142.8 billion cubic feet, nearly double the level seen during the same period of 1998. A key element in the surge in LNG imports is the startup of the Atlantic LNG project in Trinidad. This project contributed 31 percent of all LNG imports from January through November 1999 although shipments did not begin until May (Table 5).

Net withdrawals of natural gas from underground storage facilities are estimated to be 750 billion cubic feet for January 2000 (Table 9), the largest monthly withdrawal ever recorded. The net withdrawal for January 2000 is 20 percent higher than a year ago and 60 percent higher than 2 years ago. The severe cold weather that plagued the Northeast

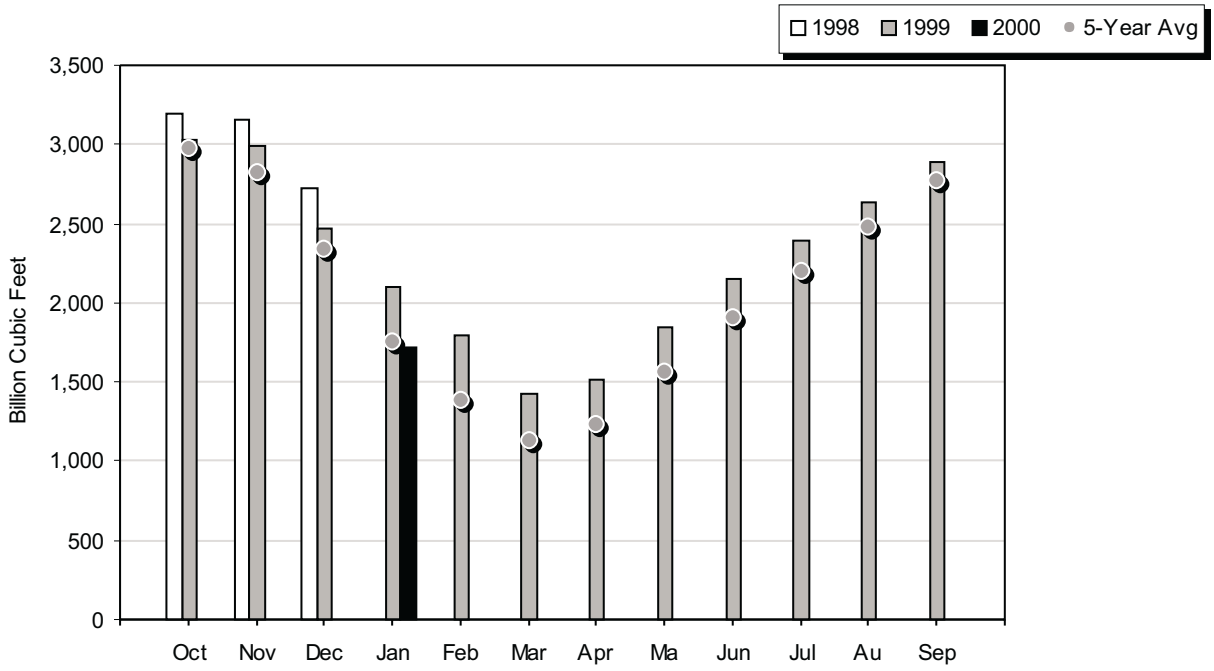
1 Sable Offshore Energy, Inc. "News Releases,"http://www.soep.com/soep-bin/pr-get?80 (January 4, 2000).

## Figure HI1. Natural Gas Production and Consumption, January, 1998-2000




**Source:** Table 2.

## Figure HI2. Working Gas in Underground Storage in the United States, 1998-2000




**Note:** The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1995 to 1999 while the January average is calculated from January levels for 1996 to 2000. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

**Source:** Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

and Midwest starting in mid-January contributed to the high withdrawal level. In fact, the American Gas Association (AGA) estimates that net withdrawals from storage were 242 billion cubic feet for the week ended January 28, the largest weekly total in 3 years.[2] At the end of January, despite these heavy drawdowns, the level of underground storage working gas is estimated to be 1,714 billion cubic feet (Table 10), less than 3 percent below 1,762 billion cubic feet, the average for the past 5 years (1995-1999).

## End-Use Consumption

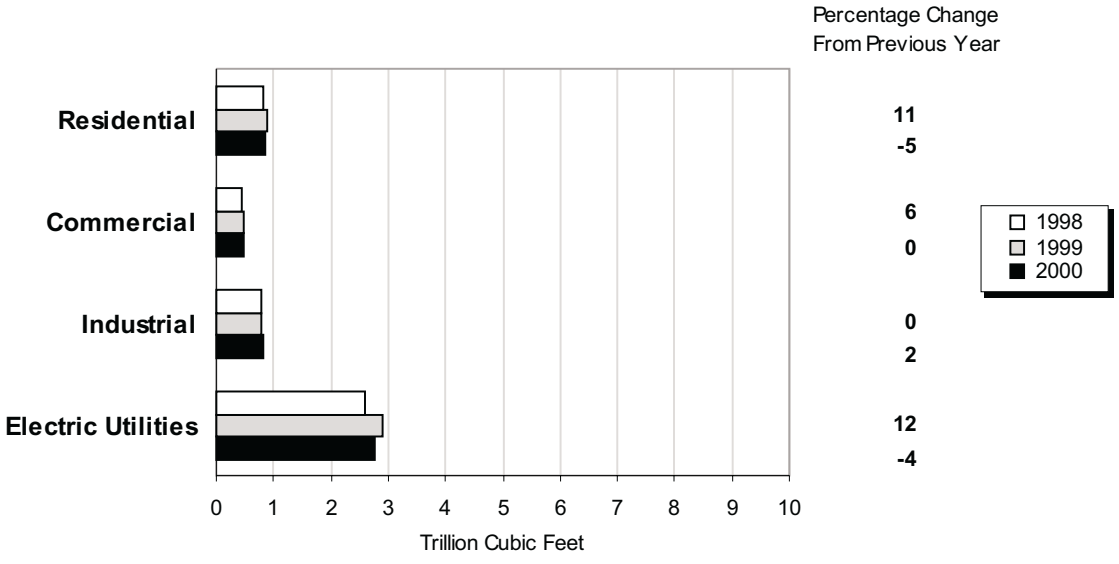
End-use consumption of natural gas in January 2000 is 1 percent lower than in January 1999, largely because of a decline in the residential sector where most gas is used for space heating. Although the weather turned colder than normal in mid-January, the resulting increase in demand was offset by lower demand early in the month when temperatures were warmer than normal. Residential consumption in January 2000 is estimated to be 858 billion cubic feet, 5 percent lower than in January 1999 (Table 3 and Figure HI3). In the commercial sector, where natural gas is also used mainly for space heating, consumption in January 2000 is nearly the same as in January 1999. The January 2000 estimate of 478 billion cubic feet is less than one-half percent lower than commercial consumption in January 1999. In the industrial sector, natural gas consumption in January 2000 is estimated to be 803 billion cubic feet, almost 2 percent higher than the January 1999 level.

Estimates of natural gas consumption by electric utilities are available through October 1999. During the first part of 1999, electric utilities consumed more natural gas than they had in 1998, but from May through October 1999, consumption was below that of 1998. Cumulatively through October, electric utilities have consumed an estimated 2,781 billion cubic feet of natural gas, 4 percent less than during the same period of 1998.

## Prices

The cumulative average wellhead price for January through October 1999 is higher compared with the same period in 1998 in part because of the rise the wellhead price in August and September 1999. Cumulative average prices paid by the end-use sectors are running lower than in 1998 with the exception of electric utilities (Figure HI4).

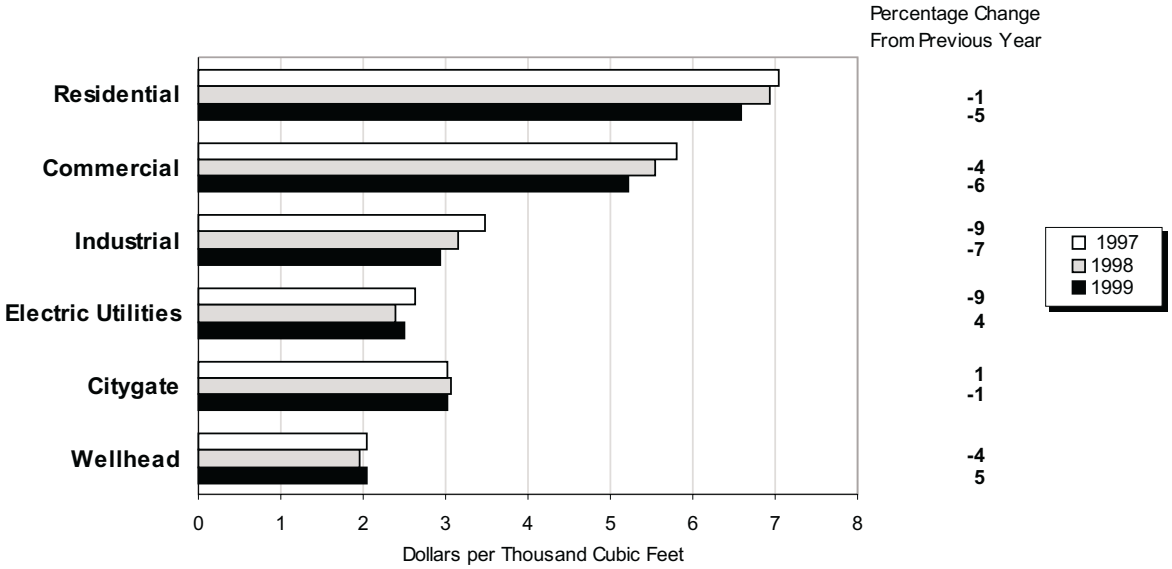
**Figure HI3. Natural Gas Delivered to Consumers, January, 1998-2000**




**Note:** Electric utilities reflect January-October deliveries for 1997-1999.
**Source:** Table 3.

2 American Gas Association, weekly storage activity estimate.

**Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-October, 1997-1999**




**Note:** Commercial and industrial average prices reflect onsystem sales only. The reporting of electric utility prices is 1 month behind the reporting of other prices.
**Source:** Table 4.

The estimated monthly wellhead price in July 1999, at $2.07 per thousand cubic feet, was just $0.01 different from the July 1998 price. Then in both August and September 1999, the wellhead price increased reaching $2.42 per thousand cubic feet. This was followed by a decline of 5 percent to $2.31 in October 1999 (Table 4). The pattern of wellhead price changes was the reverse in 1998, declining in September and August, then increasing in October. The price estimate for September 1999 was 43 percent higher than the September 1998 price, while the October estimate is 25 percent higher than the October 1998 price. Earlier in 1999, wellhead prices generally were from 8 to 17 percent lower than in 1998. Cumulatively for September through October, the average wellhead price is estimated to be $2.04 per thousand cubic feet, 5 percent higher than for the same period in 1998.

Estimates of cumulative average prices paid for natural gas in the residential, commercial, and industrial sectors are lower in 1999 than in 1998, but the gap has been narrowing in the industrial sector. The cumulative residential price for January through October 1999 is $6.58 per thousand cubic feet, 5 percent lower than in 1998. The commercial sector price is $5.21 per thousand cubic feet, 6 percent lower than in 1998. Industrial users paid an average of $2.93 per thousand cubic feet for natural gas in January through October 1999, 7 percent less than during the same period of 1998. However, the average industrial price has increased every month since May 1999 and in August, September, and October, it exceeded the 1998 price by 10 percent or more. The cumulative average industrial price for January-through-July 1999 had been 16 percent lower than in 1998.

The first significant snow storms of the winter have helped to push both spot and futures prices higher in late January and early February 2000 (Figure HI5). The daily settlement price on the near-month futures contract at the Henry Hub generally increased from $2.168 per million Btu on January 5, 2000 (the February contract) to $2.759 per million Btu on February 2, 2000 (the March contract). During the same period,

the daily average spot price at the Henry Hub increased from $2.17 to $2.92 per million Btu. The average spot price has exceeded the futures settlement price from January 21 through February 4 (the latest data available), indicating the value of immediately available supplies was greater than deliveries arranged for the next month. On some days during this period, the average spot price was as much as $0.20 to $0.30 per million Btu higher than the futures price. The last time that the spot price exceeded the futures price by as much as $0.20 was on September 25 and 28, 1998.

**Figure HI5. Daily Futures Settlement Prices at the Henry Hub**